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MICHIGAN HOUSE OF REPRESENTATIVES

**JOHN REILLY**  
STATE REPRESENTATIVE

**COMMITTEES:**  
FINANCIAL LIABILITY REFORM,  
VICE CHAIR  
JOINT COMMITTEE ON  
ADMINISTRATIVE RULES, VICE CHAIR  
EDUCATION REFORM  
ENERGY POLICY  
REGULATORY REFORM

September 25, 2018

Dear Colleagues on the House Energy Policy Committee:

Thank you for this opportunity to testify today in support of my legislation, HB 6074, which would require utilities use historical data and known and measurable changes in its requests for rate increases, rather than projections.

The question at the heart of this matter is whether rates should be set based on science or speculation. A monopoly utility has the profit incentive to pad its projections by every means conceivable to request the highest rate possible, and current law puts no conditions upon these projections.

It is essential that the interest of the utilities be balanced by the interest of the captive rate-paying public, which is our duty to protect as their representatives, and that of the Public Service Commission as a state agency.

House Bill 6074 would direct the Commission to base rates on the utilities' historical costs, adjusted only for known and measurable changes. "Known and measurable" is critical. The language allows for the commission to consider any recent or even anticipated change in the market, limited only by the condition that such a change is based on measurable data.

This is common sense: the entire rate-making process should endeavor to be scientific. In fact, to the degree the utilities' projections are based on known and measurable data, the less impact this legislation would have. If the projections are based entirely on known and measurable information, the Commission would still be able to consider all of it under my legislation.

The utilities cannot claim that limiting their rate increases to actual costs, adjusted for known and measurable changes, would place on them an undue burden of risk. They have no risk. They are monopolies with profits guaranteed by law. Their commercial, industrial, and agricultural captive rate-payers, by contrast, live in a world of risk, where

every day is a competition for survival. It is an undue burden upon them that they should pay higher utility rates – and therefore suffer in competition against those in other states enjoying lower rates.

Michigan's high energy rates impact all aspects of our economy, even though they are not directly perceived by the general public beyond their energy bills. But the cost of energy affects the price of every product and every service. It's vital that we advocate vigorously in the interest of our constituents for lower energy costs, and one simple way to do that is to eliminate this loophole that allows the utilities to request large rate increases based upon numbers they produce without conditions.

I am pleased to be joined by Bryan Brandenburg, representing the Association of Businesses Advocating for Tariff Equity (ABATE). Mr. Brandenburg will elaborate on the recent history of utility rate increases, and we welcome any questions you may have.

Sincerely,

A handwritten signature in cursive script that reads "John Reilly".

Representative John Reilly